

INDUSTRY CIRCULAR

OFFICE OF THE COMMISSIONER OF INTERNAL REVENUE
ALCOHOL AND TOBACCO TAX DIVISION



WASHINGTON, D. C. 20224

Industry Circular No. 66-18

July 28, 1966

CIGARS AND CIGARETTES FOR RATION KITS AND IN-FLIGHT MEALS

Manufacturers of Tobacco Products:

Recently questions have been raised as to the proper procedure for removal from tobacco products factories of cigars and cigarettes for use by the Federal Government in ration kits, in-flight meals, etc., where the products may be exported but are not specifically designated for direct export.

The regulations in 26 CFR Part 295 apply to removals for use of the United States under all instances, except where the products are specifically designated for direct export by the governmental agency in which case the regulations in 26 CFR Part 290 are applicable.

It is not always known at the time of removal from the factory, or even when packed into ration kits or military in-flight meals, whether the product will be exported because some ration kits are used in the United States on military maneuvers and to stock fallout shelters and military in-flight meals are often consumed on domestic flights. Consequently, all removals for use of the United States, except where the governmental agency specifically designates direct export should properly be made for "Use of the United States" under the regulations in 26 CFR Part 295 and not under the export regulations.

Where cigars or cigarettes are shipped tax-exempt under Part 295 for packing in ration kits or meals other than directly to the governmental agency, it is the manufacturer's responsibility to assure and have evidence available at the factory that the recipient has authority to receive them for the government agency for packaging under governmental contract. Such evidence should include the identity of the contract and the name and address of both the governmental contracting office and the agency to which delivery is to be made. Where such evidence of a legitimate government contract is available then the manufacturer making the removal is relieved of tax liability on the cigars and cigarettes under 26 CFR 295.35 when the private contractor receives the products as agent for the government. The private contractor is thereafter responsible to the United States for the tax on those cigars and cigarettes received by him but not accounted for.

A handwritten signature in dark ink, appearing to read "Harold A. Serr".

Harold A. Serr
Director, Alcohol and Tobacco Tax Division